

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Richmond Township</b>	County <b>Osceola</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>7/7/05</b>	Date Accountant Report Submitted to State: <b>September 26, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49601</b>	Date <b>9/26/05</b>

**RICHMOND TOWNSHIP, OSCEOLA COUNTY**

**REED CITY, MICHIGAN**

**MARCH 31, 2005**

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

MARCH 31, 2005

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RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

MARCH 31, 2005

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 6, 2005

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Richmond Township  
Osceola County  
Reed City, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richmond Township, Osceola County, Reed City, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richmond Township, Osceola County, Reed City, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richmond Township, Osceola County, Reed City, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

Richmond Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Richmond Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$642,340. Of this amount, \$375,201 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental fund reported ending fund balance of \$358,427 a decrease of \$41,396 in comparison with the prior year. About 94.21% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Richmond Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, capital outlay and other functions. The business-type activities of the Township include Sewer operation.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



RICHMOND TOWNSHIP, OSCEOLA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$642,340 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

**Richmond Township**  
**Net Assets as of March 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Assets</b>			
Current Assets	\$ 360,881	\$ (2,643)	\$ 358,238
Non Current Assets			
Capital Assets	148,551	210,003	358,554
Less: Accumulated Depreciation	(32,009)	(39,276)	(71,285)
Total Non Current Assets	116,542	170,727	287,269
<b>Total Assets</b>	<b>\$ 477,423</b>	<b>\$ 168,084</b>	<b>\$ 645,507</b>
<b>Liabilities</b>			
Current Liabilities	\$ 2,454	\$ 713	\$ 3,167
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	116,542	150,597	267,139
Unrestricted	358,427	16,774	375,201
<b>Total Net Assets</b>	<b>474,969</b>	<b>167,371</b>	<b>642,340</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 477,423</b>	<b>\$ 168,084</b>	<b>\$ 645,507</b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2005. Other liabilities are minimal as of March 31, 2005.

RICHMOND TOWNSHIP, OSCEOLA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$32,275 or 5.29% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Richmond Township  
Change in Net Assets  
for the Fiscal Year Ended March 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<hr/>			
<b><u>Revenues</u></b>			
<b>Program Revenues</b>			
Charges for Services	\$ 24,610	\$ 8,948	\$ 33,558
<b>General Revenues</b>			
Property Taxes and Assessments	56,166	0	56,166
State Shared Revenue	121,434	0	121,434
Unrestricted Investment Earnings	6,429	109	6,538
Other	203	0	203
	<hr/>		
<b>Total Revenues</b>	\$ 208,842	\$ 9,057	\$ 217,899
	<hr/>		
<b><u>Expenses</u></b>			
Legislative	\$ 12,240	\$ 0	\$ 12,240
General Government, Administrative	82,778	0	82,778
Public Safety	44,781	0	44,781
Public Works	16,951	0	16,951
Other Functions	14,654	0	14,654
Capital Outlay	230	0	230
Sewer	0	13,990	13,990
	<hr/>		
<b>Total Expenses</b>	\$ 171,634	\$ 13,990	\$ 185,624
	<hr/>		
Changes in Net Assets	37,208	(4,933)	32,275
NET ASSETS – Beginning of Year	437,761	172,304	610,065
	<hr/>		
NET ASSETS – End of Year	\$ 474,969	\$ 167,371	\$ 642,340
	<hr/>		

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

**Governmental Activities**

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$32,275 or 5.29% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Richmond Township comes from state shared revenue. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township levied a millage for operating purposes this fiscal year. The Township levied .9549 mills for operating purposes.

The Township's governmental activities expenses are dominated by general governmental expenses that total 48.22% of total expenses. The Township spent \$82,778 in fiscal year 2005 on general administrative expenses. Public safety represented the next largest expense at \$44,781 followed by public works at \$16,951. These represent 26.09% and 9.88% respectively. Expenses for salaries represent a large portion of the general administrative expenses at \$31,890. Depreciation expense added another \$2,496.

**Business-Type Activities**

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$8,948 for 2005. The Township pays operating and maintenance expenses of \$8,052 or 57.56%. Depreciation expense of \$4,200 accounted for 30.02%. Interest expense of \$1,738 of the sewer fund expenses accounted for the remaining 12.42%.

Sewer operations experienced a 2.86% decrease in net assets. This is due mainly to the deduction for depreciation expense on the capital assets.

The Sewer Fund is the Township's only Business-Type activity.

**Financial Analysis of the Government's Funds**

**Governmental Activities** The focus of Richmond Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

**General Fund** – The General Fund decreased its fund balance by \$41,396 which brings the fund balance to \$358,427. Of the General Fund's fund balance, \$337,676 is unreserved while \$3,348 and \$17,403 is reserved for prepaid expenditures and advances. All of the General Fund's functions, except for the Township Board and attorney, ended the year with expenditures below budgeted amounts. The Township Board and attorney differential is minor and was funded by available fund balance. Property tax revenue was \$40,673. State shared revenues was \$121,434

**Proprietary Fund** The Township's proprietary fund provides the same information as the government-wide statements.

**Sewer Fund** – The Sewer Fund ended the fiscal year with a decrease in net assets of \$4,933. This is due largely to the deduction of depreciation expense on the Fund's capital assets. Net assets invested in capital assets decreased by the amount of the depreciation deduction or \$4,200. Despite the decrease in net assets, the Fund is still in stable condition. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of March 31, 2005 amounted to \$287,269 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 34.95% entirely in the governmental activities.

Capital assets summarized below include any items purchased with a cost greater than \$300 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

*Richmond Township*  
*Capital Assets as of March 31, 2005*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Land and Land Improvements	\$ 23,367	\$ 0	\$ 23,367
Buildings	28,435	0	28,435
Improvements Other than Buildings	0	210,003	210,003
Equipment, Furniture and Fixtures	16,749	0	16,749
Infrastructure	80,000	0	80,000
	148,551	210,003	358,554
Less Accumulated Depreciation	(32,009)	(39,276)	(71,285)
<b>Net Capital Assets</b>	<b>\$ 116,542</b>	<b>\$ 170,727</b>	<b>\$ 287,269</b>

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

Major capital asset events during the current fiscal year included the following:

- ◆ The general fund portion of paving amounted to \$80,000.
- ◆ The purchase of a new computer amounted to \$1,100.

**Long-Term Debt.** Richmond Township has no obligation for any long-term debt as of March 31, 2005.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2005-06 fiscal year. The Township has budgeted for a larger decrease as more cuts are expected. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Richmond Township at 19099 U.S. Highway 10, Reed City, MI 49677.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
Cash	\$ 306,136	\$ 14,097	\$ 320,233	\$ 147,841
Receivables:				
Taxes	2,970	0	2,970	58,749
Accounts	793	3,390	4,183	0
External Parties (Fiduciary Funds)	9,436	0	9,436	0
Due from Other Governments	18,068	0	18,068	0
Internal Balances	20,130	(20,130)	0	0
Prepaid Expenses	3,348	0	3,348	0
Total Current Assets	360,881	(2,643)	358,238	206,590
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	23,367	0	23,367	0
Buildings	28,435	0	28,435	0
Improvements Other Than Buildings	0	210,003	210,003	0
Equipment, Furniture and Fixtures	16,749	0	16,749	0
Infrastructure	80,000	0	80,000	7,464
	68,551	210,003	278,554	0
Less Accumulated Depreciation	(32,009)	(39,276)	(71,285)	(62)
Net Capital Assets	36,542	170,727	207,269	(62)
TOTAL ASSETS	397,423	168,084	565,507	206,528
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	2,454	713	3,167	1,133
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	116,542	150,597	267,139	(62)
Unrestricted	358,427	16,774	375,201	205,457
TOTAL NET ASSETS	\$ 474,969	\$ 167,371	\$ 642,340	\$ 205,395

The accompanying notes are an integral part of the financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
PRIMARY GOVERNMENT									
GOVERNMENTAL ACTIVITIES									
Legislative	\$ 12,240	\$ 0	\$ 0	\$ 0	\$ (12,240)	\$ 0	\$ (12,240)	\$ 0	
General Government, Administrative	82,778	6,868	0	0	(75,910)	0	(75,910)	0	
Public Safety	44,781	1,680	0	0	(43,101)	0	(43,101)	0	
Public Works	16,951	16,062	0	0	(889)	0	(889)	0	
Other Functions	14,654	0	0	0	(14,654)	0	(14,654)	0	
Capital Outlay	230	0	0	0	(230)	0	(230)	0	
Total Governmental Activities	171,634	24,610	0	0	(147,024)	0	(147,024)	0	
BUSINESS-TYPE ACTIVITIES									
Sewer System	13,990	8,948	0	0	0	(5,042)	(5,042)	0	
TOTAL PRIMARY GOVERNMENT	\$ 185,624	\$ 33,558	\$ 0	\$ 0	(147,024)	(5,042)	(152,066)	0	
COMPONENT UNIT									
Downtown Development Authority	\$ 4,543	\$ 0	\$ 0	\$ 0	0	0	0	(4,543)	
GENERAL REVENUES									
Taxes					56,166	0	56,166	62,460	
State Shared Revenue					121,434	0	121,434	0	
Unrestricted Investment Earnings					6,429	109	6,538	1,851	
Other					203	0	203	0	
Total General Revenues					184,232	109	184,341	64,311	
Change in Net Assets					37,208	(4,933)	32,275	59,768	
NET ASSETS - Beginning of Year					437,761	172,304	610,065	153,091	
NET ASSETS - End of Year					\$ 474,969	\$ 167,371	\$ 642,340	\$ 212,859	

The accompanying notes are an integral part of the financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2005

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash	\$ 306,136
Taxes Receivable	2,970
Accounts Receivable	793
Advance to Other Fund	17,403
Due from Other Funds	12,163
Due from Other Governments	18,068
Prepaid Expenditures	<u>3,348</u>
 TOTAL ASSETS	 <u><u>\$ 360,881</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 2,454</u>
 <u>FUND BALANCE</u>	
Reserved for:	
Prepaid Expenditures	3,348
Advances	17,403
Unreserved	
Undesignated	<u>337,676</u>
Total Fund Balance	<u>358,427</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 360,881</u></u>

The accompanying notes are an integral part of the financial statements.



RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2005

Total Fund Balance for Governmental Funds	\$ 358,427
---	------------

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	23,367	
Buildings	28,435	
Equipment, Furniture and Fixtures	16,749	
Infrastructure	80,000	
Accumulated Depreciation	(32,009)	116,542

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 474,969</u>
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The accompanying notes are an integral part of the financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY

REED CITY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND
<u>REVENUES</u>	
Taxes	\$ 56,166
Licenses and Permits	5,950
State Grants	121,434
Charges for Services	18,660
Interest and Rents	6,429
Other Revenues	203
Total Revenues	208,842
<u>EXPENDITURES</u>	
Legislative	12,240
General Government	81,156
Public Safety	44,781
Public Works	96,077
Other Functions	14,654
Capital Outlay	1,330
Total Expenditures	250,238
Net Change in Fund Balance	(41,396)
<u>FUND BALANCE</u> - Beginning of Year	399,823
<u>FUND BALANCE</u> - End of Year	\$ 399,823

The accompanying notes are an integral part of the financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2005

Net Change in Fund Balance - Total Governmental Funds	\$ (41,396)
---	-------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(2,496)
Capital Outlay	<u>81,100</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 37,208</u></u>
---	-------------------------

The accompanying notes are an integral part of the financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY

REED CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 14,097
Accounts Receivable	3,390
	<hr/>
Total Current Assets	17,487
	<hr/>
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	210,003
Less Accumulated Depreciation	39,276
	<hr/>
Net Capital Assets	170,727
	<hr/>
TOTAL ASSETS	\$ 188,214
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 713
Due to Other Funds	2,727
	<hr/>
Total Current Liabilities	3,440
	<hr/>
<u>LONG-TERM LIABILITIES</u>	
Advance from Other Fund	17,403
	<hr/>
TOTAL LIABILITIES	20,843
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	150,597
Unrestricted	16,774
	<hr/>
Total Net Assets	167,371
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 188,214
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges	\$ 8,948
<u>OPERATING EXPENSES</u>	
Operating and Maintenance	8,052
Depreciation	4,200
	<hr/>
Total Operating Expenses	12,252
	<hr/>
Operating Income (Loss)	(3,304)
	<hr/>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	109
Interest Expense	(1,738)
	<hr/>
Total Nonoperating Income (Expense)	(1,629)
	<hr/>
Change in Net Assets	(4,933)
<u>NET ASSETS</u> - Beginning of Year	172,304
	<hr/>
<u>NET ASSETS</u> - End of Year	\$ 167,371
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY

REED CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 11,675
Cash Payments to Suppliers for Goods and Services	(8,512)
	<hr/>
Net Cash Provided by Operating Activities	3,163
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Interest Paid on Advances	(1,738)
Principal Paid on Advances	(5,247)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(6,985)
	<hr/>
Cash Flows from Investing Activities:	
Interest Received	109
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,713)
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	17,810
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 14,097
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (3,304)
	<hr/>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	4,200
(Increase) Decrease in Current Assets	
Accounts Receivable	(736)
Increase (Decrease) in Current Liabilities	
Accounts Payable	276
Due to Other Funds	2,727
	<hr/>
Total Adjustments	6,467
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,163
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2005

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	<u>\$ 98,444</u>
 <u>LIABILITIES</u>	
Due to Other Governments	89,008
Due to Other Funds	<u>9,436</u>
 TOTAL LIABILITIES	<u>98,444</u>
 <u>NET ASSETS</u>	<u><u>\$ 0</u></u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

COMPONENT UNIT

STATEMENT OF NET ASSETS  
MARCH 31, 2005

	<u>DOWNTOWN DEVELOPMENT AUTHORITY FUND</u>
<u>ASSETS</u>	
Cash	\$ 147,841
Taxes Receivable	58,749
Total Current Assets	<u>206,590</u>
 <u>CAPITAL ASSETS</u>	
Infrastructure	7,464
Less Accumulated Depreciation	62
Net Capital Assets	<u>7,402</u>
 TOTAL ASSETS	 <u>213,992</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	<u>1,133</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	7,402
Unrestricted	<u>205,457</u>
 TOTAL NET ASSETS	 <u>\$ 212,859</u>





RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Richmond Township is a general law township located in Osceola County which operates under the direction of an elected township board. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a March 31 year end.

**BLENDED COMPONENT UNITS**

The Township has no blended component units.

**DISCRETELY PRESENTED COMPONENT UNITS**

Downtown Development Authority (DDA) – The DDA was established through a Township Ordinance under Act No. 197 of the Public Acts of Michigan of 1975. The Township Board determined that it was necessary and in the best interest of the Township to halt property value deterioration and increase property tax valuation where possible in the DDA District, to eliminate the causes, and to promote economic growth.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Richmond Township reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Richmond Township reports the following major proprietary fund:

The *Sewer Fund* records financial activity of the Township's sewer operation. The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Additionally Richmond Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township to invest as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- (j) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Richmond Township totaled \$42,707,681, on which ad valorem taxes levied consisted of 0.9549 mills for the Richmond Township operating purposes. This levy raised approximately \$40,777 for operating purposes of which \$4,877 was captured by the Downtown Development Authority leaving a net of \$35,900 for the Township's operating purposes.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$300 (amount not rounded) and an

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements and Land Improvements	20
Public domain infrastructure	50
Vehicles	10
Equipment	5-10

Richmond Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**5. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures



RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**8. *Restatement/Reclassifications***

Beginning fund balances have been restated for the General Fund to correctly reflect the impact of implementing GASB 34. The fund statements are now presented using the modified accrual basis of accounting rather than the cash basis of accounting which was utilized in prior years.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 27, 2004 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits and investments are owned by several of the Township's funds. At year end, the carrying amount of the Township's deposits was \$418,657 and the bank balance was \$434,197. Of the bank balance, \$228,576 was covered by federal depository insurance and \$205,630 was uninsured and uncollateralized.

The carrying amount of deposits for the discretely presented component units, was \$147,841 and the bank balance was \$147,841. Of the bank balance, \$100,000 was covered by Federal Depository Insurance and \$47,841 was uninsured and uncollateralized.

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT	COMPONENT UNIT
Cash on Hand	\$ 20	\$ 0
Carrying amount of Deposits	418,657	147,841
Total	\$ 418,677	\$ 147,841
Government-wide Statement of Net Assets		
Cash	\$ 320,233	\$ 147,841
Statement of Fiduciary Net Assets		
Cash	98,444	0
Total	\$ 418,677	\$ 147,841

**B. Receivables**

Receivables as of year end for the government's individual major funds, are as follows:

	General	Sewer	Total
Receivables			
Accounts	\$ 793	\$ 3,390	\$ 4,183
Taxes	2,970	0	2,970
	\$ 3,763	\$ 3,390	\$ 7,153

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 23,367	\$ 0	\$ 0	\$ 23,367
Capital assets, being depreciated				
Buildings	\$ 28,435	\$ 0	\$ 0	\$ 28,435
Infrastructure	0	80,000	0	80,000
Equipment, Furniture and Fixtures	15,649	1,100	0	16,749
Total capital assets, being depreciated	\$ 44,084	\$ 81,100	\$ 0	125,184
Less accumulated depreciation for:				
Buildings	\$ 19,529	\$ 451	\$ 0	\$ 19,980
Infrastructure	0	667	0	667
Equipment, Furniture and Fixtures	9,984	1,378	0	11,362
Total accumulated depreciation	\$ 29,513	\$ 2,496	\$ 0	\$ 32,009
Total capital assets, being depreciated, net	\$ 14,571	\$ 78,604	\$ 0	\$ 93,175
Governmental activities capital assets, net	\$ 37,938	\$ 78,604	\$ 0	\$ 116,542

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, being depreciated				
Improvements other than buildings	\$ 210,003	\$ 0	\$ 0	\$ 210,003
Less accumulated depreciation for:				
Improvements other than buildings	\$ 35,076	\$ 4,200	\$ 0	\$ 39,276
Business-type activities capital assets, net	\$ 174,927	\$ (4,200)	\$ 0	\$ 170,727

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 1,622
Public Works	874
Total depreciation expense - governmental activities	\$ 2,496
Business-type activities:	
Sewer	\$ 4,200

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

**Discretely Presented Component Unit:**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Government-Type Activities</u>				
Capital assets, being depreciated				
Infrastructure	\$ 0	\$ 7,464	\$ 0	\$ 7,464
Less accumulated depreciation for:				
Infrastructure	\$ 0	\$ 62	\$ 0	\$ 62
Total capital assets, being depreciated, net	\$ 0	\$ 7,526	\$ 0	\$ 7,402

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 12,163	\$ 0
Enterprise Funds		
Sewer	0	2,727
Fiduciary Funds		
Current Tax Collection	0	9,436
	<u>\$ 12,163</u>	<u>\$ 12,163</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

As of March 31, 2005, there were no transfers.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

    Prepaid Expenditures \$ 3,348

    Advances 17,403

TOTAL FUND BALANCE

RESERVATIONS AND DESIGNATIONS \$ 20,751

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Advance from General Fund to Sewer Fund**

The Township General Fund had advanced to the Township Sewer Fund monies to payoff a prior sewer fund debt and pay for various expenses on behalf of the Sewer Fund. The advance was established on November 21, 1995, by resolution and calls for the Sewer Fund to pay the General Fund quarterly payments of \$1,064 including interest at 8% through November 2010.

**C. Statement of Cash Flows**

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**D. Due from Other Governments**

Amounts due from other governments consist of \$18,068 in state-shared revenues.

**E. Fire Protection Contract**

The Township entered into an agreement with the City of Reed City on August 1, 1997, whereas, the City will provide the Township with fire protection services. The agreement calls for the Township to pay the City the equivalent of  $\frac{3}{4}$  mill (.00075) of the taxable valuation of the real property located in the Township.

**F. Retirement Plan**

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all Township salaried employees. The annual contribution is 25% of the first \$2,400 of

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

compensation and 20% of salary in excess of \$2,400. Of the total contribution of each participant, 75% is paid by the Township and 25% by the official. The Township's 2004-05 contribution amounted to \$5,597 and participants contributed \$1,866.

To participate in the plan, an individual must be at least 18 years of age. Benefits attributable to the Township are vested in the participants immediately.

Normal retirement age under the plan is 65. Early retirement is permitted at any time after attainment of age 55.

For purposes under the plan, including the allocation of employer contributions, compensation means the basic annual rate of compensation in effect at the beginning of each plan year. For the 2004-05 year, covered compensation was \$30,455 and the total of all wages including noncovered wages was \$46,910.

**G. Component Unit Disclosures**

The following presents the condensed financial statements for discretely presented component unit.

Condensed Financial Statements – Discretely Presented Component Unit  
Balance Sheet

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
Assets	
Current Assets	\$ <u>206,590</u>
Liabilities	
Current Liabilities	\$ 2,127
Fund Balance	
Unreserved	<u>204,463</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>206,590</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

Statement of Revenues, Expenditures, and Changes in Fund Balance

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
Revenues	\$ <u>63,317</u>
Expenditures	
Economic Development	<u>11,945</u>
Excess of Revenues Over (Under) Expenditures	51,372
Fund Balance - Beginning of Year	<u>153,091</u>
Fund Balance - End of Year	\$ <u><u>204,463</u></u>



RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 56,200	\$ 56,200	\$ 56,166	\$ (34)
Licenses and Permits	0	0	5,950	5,950
State Grants	116,858	116,858	121,434	4,576
Charges for Services	18,200	18,200	18,660	460
Interest and Rents	0	0	6,429	6,429
Other Revenues	13,000	13,000	203	(12,797)
Total Revenues	204,258	204,258	208,842	4,584
<u>EXPENDITURES</u>				
Legislative	11,420	12,165	12,240	(75)
General Government	87,520	86,775	81,156	5,619
Public Safety	54,300	54,300	44,781	9,519
Public Works	79,740	99,740	96,077	3,663
Other Functions	18,000	18,000	14,654	3,346
Capital Outlay	20,000	20,000	1,330	18,670
Contingency	20,000	0	0	0
Total Expenditures	290,980	290,980	250,238	40,742
Net Change in Fund Balance	(86,722)	(86,722)	(41,396)	45,326
<u>FUND BALANCE</u> - Beginning of Year	86,722	86,722	399,823	313,101
<u>FUND BALANCE</u> - End of Year	\$ 86,722	\$ 86,722	\$ 399,823	\$ 313,101

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2005

ASSETS

Cash	
Petty Cash	\$          20
Commercial Account	486
Money Market Account	225,630
Certificates of Deposit	80,000
Taxes Receivable	2,970
Accounts Receivable	793
Advance to Other Fund	17,403
Due from Other Governments	18,068
Due from Other Funds	12,163
Prepaid Expenditures	3,348
	<hr/>
TOTAL ASSETS	\$     360,881

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$         2,454
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FUND BALANCE

Reserved for:	
Advances	17,403
Prepaid Expenditures	3,348
Unreserved	337,676
	<hr/>
Total Fund Balance	358,427

TOTAL LIABILITIES AND FUND BALANCE	\$     360,881
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RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 56,200	\$ 56,200	\$ 56,166
Licenses and Permits	0	0	5,950
State Grants	116,858	116,858	121,434
Charges for Services	18,200	18,200	18,660
Interest and Rents	0	0	6,429
Other Revenues	13,000	13,000	203
Total Revenues	204,258	204,258	208,842
<u>EXPENDITURES</u>			
Legislative			
Township Board	11,420	12,165	12,240
General Government			
Supervisor	11,965	9,480	7,966
Assessor	19,000	19,000	17,137
Attorney	15,000	17,485	19,462
Clerk	11,910	11,910	10,744
Board of Review	1,800	1,800	1,619
Treasurer	17,345	17,345	15,334
Election	4,000	5,689	5,689
Building and Grounds	6,500	4,066	3,205
Public Safety			
Fire Department	35,000	35,000	33,720
Planning and Zoning	19,300	19,300	11,061
Public Works			
Highways, Streets, Bridges	60,000	80,000	80,000
Street Lighting	2,000	2,000	1,225
Sanitation	17,740	17,740	14,852

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Other Functions			
Insurance and Bonds	7,000	7,000	4,987
Employee Benefits	11,000	11,000	9,667
Capital Outlay	20,000	20,000	1,330
Contingency	20,000	0	0
Total Expenditures	290,980	290,980	250,238
Excess of Revenues			
Over (Under) Expenditures	(86,722)	(86,722)	(41,396)
<u>FUND BALANCE</u> - Beginning of Year	86,722	86,722	399,823
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 358,427

RICHMOND TOWNSHIP, OSCEOLA COUNTY

REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES  
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Property Taxes	\$ 40,673	
Commercial Forest	4	
Industrial Facility Tax	477	
Penalties and Interest on Taxes	2,304	
Property Tax Administration Fee	12,708	
Total Taxes		56,166

LICENSES AND PERMITS

Nonbusiness Licenses and Permits	1,680	
Cable Television Franchise Fees	4,270	
Total Licenses and Permits		5,950

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	117,822	
Telecommunications Right of Way Maintenance	3,612	
Total State Grants		121,434

CHARGES FOR SERVICES

Refuse Collection	16,062	
Summer Tax Collection Fee	2,598	
Total Charges for Services		18,660

INTEREST AND RENTS

Interest Earnings		6,429
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OTHER REVENUES

Refunds and Rebates	175	
Miscellaneous	28	203

TOTAL REVENUES		<u>\$ 208,842</u>
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RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board		
Personal Services	\$	3,420
Supplies		3,095
Other Services and Charges		<u>5,725</u>
Total Legislative		12,240

GENERAL GOVERNMENT

Supervisor		
Personal Services	7,605	
Supplies	26	
Other Services and Charges	<u>335</u>	7,966
Assessor		
Supplies	753	
Other Services and Charges	<u>16,384</u>	17,137
Attorney		
Other Services and Charges		19,462
Clerk		
Personal Services	9,485	
Supplies	1,073	
Other Services and Charges	<u>186</u>	10,744
Board of Review		
Personal Services	1,150	
Supplies	138	
Other Services and Charges	<u>331</u>	1,619
Treasurer		
Personal Services	10,845	
Supplies	1,789	
Other Services and Charges	<u>2,700</u>	15,334
Elections		
Personal Services	2,805	
Supplies	397	
Other Services and Charges	<u>2,487</u>	5,689
Building and Grounds		
Other Services and Charges	3,092	
Capital Outlay	<u>113</u>	3,205

Total General Government		81,156
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RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2005

PUBLIC SAFETY

Fire Department			
Other Services and Charges		33,720	
Planning and Zoning			
Personal Services	7,988		
Supplies	222		
Other Services and Charges	2,851	11,061	
Total Public Safety			44,781

PUBLIC WORKS

Highways, Streets, Bridges			
Other Services and Charges		80,000	
Street Lighting			
Other Services and Charges		1,225	
Sanitation			
Personal Services	6,240		
Other Services and Charges	8,612	14,852	
Total Public Works			96,077

OTHER FUNCTIONS

Insurance and Bonds			
Other Services and Charges		4,987	
Employee Benefits			
Personal Services		9,667	
Total Other Functions			14,654

CAPITAL OUTLAY

Capital Outlay			1,330
TOTAL EXPENDITURES			\$ 250,238

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS  
MARCH 31, 2005

ASSETS

CURRENT ASSETS

Cash		
Money Market Account	\$	14,097
Accounts Receivable		<u>3,390</u>
Total Current Assets		17,487

CAPITAL ASSETS

Improvements Other Than Buildings	210,003	
Less Accumulated Depreciation	<u>39,276</u>	
Net Capital Assets		<u>170,727</u>
TOTAL ASSETS		<u>\$ 188,214</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	713	
Due to Other Funds		<u>2,727</u>	
Total Current Liabilities			3,440

LONG-TERM LIABILITIES

Advance from Other Fund		<u>17,403</u>	
TOTAL LIABILITIES			<u>20,843</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	150,597	
Unrestricted	<u>16,774</u>	
Total Net Assets		<u>167,371</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 188,214</u>



RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2005

OPERATING REVENUES

Charges for Services		
Sewer Use Charges		\$ 8,948

OPERATING EXPENDITURES

Operating and Maintenance		
Repairs and Maintenance	6,629	
Utilities	1,423	
Depreciation	<u>4,200</u>	
 Total Operating Expenses		 <u>12,252</u>
 Operating Income (Loss)		 (3,304)

NONOPERATING INCOME (EXPENSE)

Interest Income	109	
Interest Expense	<u>(1,738)</u>	
 Total Nonoperating Income (Expense)		 <u>(1,629)</u>
 Net Income (Loss)		 (4,933)

<u>NET ASSETS</u> - April 1, 2004	<u>172,304</u>
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<u>NET ASSETS</u> - March 31, 2005	<u><u>\$ 167,371</u></u>
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RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 11,675
Cash Payments to Suppliers for Goods and Services	<u>(8,512)</u>

Net Cash Provided (Used) by Operating Activities 3,163

Cash Flows from Capital and Related Financing Activities:

Interest Paid on Advances	(1,738)
Principal Paid on Advances	<u>(5,247)</u>

Net Cash Used by Capital and Related Financing Activities (6,985)

Cash Flows from Investing Activities:

Interest on Investments	<u>109</u>
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Net Increase (Decrease) in Cash and Cash Equivalents (3,713)

<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>17,810</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 14,097</u>
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RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)		<u>\$ (3,304)</u>
Adjustments to Reconcile Operating Income to		
Cash Provided by Operating Activities		
Depreciation	4,200	
(Increase) Decrease in Current Assets		
Accounts Receivable	(736)	
Increase (Decrease) in Current Liabilities		
Accounts Payable	276	
Due to Other Funds	<u>2,727</u>	
Total Adjustments		<u>6,467</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u><u>\$ 3,163</u></u>

RICHMOND TOWNSHIP, MISSAUKEE COUNTY  
REED CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005
<hr/>				
<u>ASSETS</u>				
Cash				
Commercial Account	\$ 32,695	\$ 1,297,940	\$ 1,300,275	\$ 30,360
Money Market Account	46,718	1,318,942	1,297,576	68,084
	<hr/>			
TOTAL ASSETS	\$ 79,413	\$ 2,616,882	\$ 2,597,851	\$ 98,444
	<hr/>			
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 12,450	\$ 12,450	\$ 0
Due to Other Governments	71,087	1,256,197	1,238,276	89,008
Due to General Fund	8,326	50,603	49,493	9,436
	<hr/>			
TOTAL LIABILITIES	\$ 79,413	\$ 1,319,250	\$ 1,300,219	\$ 98,444
	<hr/>			

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET  
MARCH 31, 2005

ASSETS

Money Market	\$ 147,841
Taxes Receivable	<u>58,749</u>
 TOTAL ASSETS	 <u><u>\$ 206,590</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,133
Deferred Revenue	<u>994</u>
 Total Liabilities	 <u>2,127</u>

FUND BALANCE

Unreserved	<u>204,463</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 206,590</u></u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes			
Property Tax	\$ 66,159	\$ 61,466	\$ (4,693)
Interest and Rents			0
Interest Earnings	1,000	1,851	851
Total Revenues	67,159	63,317	(3,842)
<u>EXPENDITURES</u>			
Economic Development			
Office Expense	100	27	73
Contracted Services	9,600	10,785	(1,185)
Printing and Publishing	100	0	100
Chargebacks	0	1,133	(1,133)
Contingency	20,000	0	20,000
Total Expenditures	29,800	11,945	17,855
Excess of Revenues Over (Under) Expenditures	37,359	51,372	14,013
<u>FUND BALANCE</u> - April 1, 2004	83,778	153,091	69,313
<u>FUND BALANCE</u> - March 31, 2005	\$ 121,137	\$ 204,463	\$ 83,326

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

STATEMENT OF 2004 REGULAR TAX ROLL  
MARCH 31, 2005

TAXES ASSESSED

County	\$	345,898	
County - State Education Tax		256,227	
Township		35,900	
Richmond Township Downtown Development Authority		51,865	
School			
Reed City Public Schools		464,245	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>174,802</u>	1,328,937

TAXES COLLECTED

County		318,110	
County - State Education Tax		242,992	
Township		33,017	
Richmond Township Downtown Development Authority		49,842	
School			
Reed City Public Schools		439,093	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>161,622</u>	1,244,676

TAXES RETURNED DELINQUENT

County		27,788	
County - State Education Tax		13,235	
Township		2,883	
Richmond Township Downtown Development Authority		2,023	
School			
Reed City Public Schools		25,152	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>13,180</u>	<u>\$ 84,261</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY  
REED CITY, MICHIGAN

STATEMENT OF 2004 INDUSTRIAL FACILITIES TAX ROLL  
MARCH 31, 2005

TAXES ASSESSED

County	\$	131	
State Education Tax		11,516	
Township		14	
Richmond Township Downtown Development Authority		9,601	
School			
Reed City Public Schools		21,124	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>3,928</u>	46,314

TAXES COLLECTED

County		131	
State Education Tax		11,516	
Township		14	
Richmond Township Downtown Development Authority		9,601	
School		0	
Reed City Public Schools		21,124	
Intermediate School		0	
Mecosta-Osceola Intermediate School District		<u>3,928</u>	46,314

TAXES RETURNED DELINQUENT

County		0	
County - State Education Tax		0	
Township			
Richmond Township Downtown Development Authority		0	
School			
Reed City Public Schools		0	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>0</u>	<u>\$ 0</u>



*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 6, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Richmond Township  
Osceola County  
Reed City, Michigan

During the course of our audit of the financial statements of Richmond Township for the year ended March 31, 2005, we noted the following:

Transition of Treasurer Position

During the year, the Township had three different Treasurers. This made reconciling the Tax Collection Fund more time consuming than in the past. We appreciate the cooperation from the former Treasurer in completing this task.

GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past. We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

July 6, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Richmond Township  
Osceola County  
Reed City, Michigan

In planning and performing our audit of the financial statements of Richmond Township, Osceola County, Reed City, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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